

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: March 12, 2012
ATTENTION: Natural Resources & Culture Committee
Agenda of March 21, 2012
ORIGINATING DEPARTMENT: Public Utilities
SUBJECT: State Water Resources Control Board - Authorization to
Enter into a Low-Interest Loan for the Metropolitan
Biosolids Center Dewatering Centrifuges Replacement
Project
COUNCIL DISTRICT(S): Citywide
STAFF CONTACT: Jeanne Cole (858) 292-6313
Wilson Kennedy (858) 614-4070

REQUESTED ACTION:

1. Authorizing an ordinance that the Mayor or his designated representative enter into an SRF funding agreement to fund the Metropolitan Biosolids Center Dewatering Centrifuges Replacement Project, in an amount not to exceed \$12 million.
2. Authorizing an ordinance dedicating the net revenues of the wastewater enterprise fund for payment of any and all SRF financing related to the project.
3. Authorizing an ordinance to address the State Water Resources Control Board reimbursement requirements for costs associated with SRF financing for this project.

STAFF RECOMMENDATION:

Approve the requested action and adopt the ordinance.

EXECUTIVE SUMMARY:

The City and the Public Utilities Department have participated in the State Revolving Fund (SRF) Loan Program since 1999. The City has received approximately \$160,000,000 in low-interest loans under the SRF Program. Utilizing the SRF 20-year loan program, approved loans of \$29 million and \$80 million, since July 1, 2007, will result in savings of approximately \$78 million when compared to traditional 30-year bond financing.

Resolution No. 304316 adopted November 13, 2008, authorized the Mayor or his representative to sign and submit applications for financial assistance from the State Water Resources Control Board (SWRCB). On November 29, 2011, the Public Utilities Department staff submitted an application for SRF low-interest financing for the Metropolitan Biosolids Center Dewatering Centrifuges Replacement Project, in an amount not to exceed \$12 million. This project is eligible under the SRF Loan Program Guidelines. The project and credit application is currently being reviewed by SWRCB staff. Favorable comments have been received and it is anticipated that the loan request will be approved for funding.

The current interest rate for the SRF loan borrowing of an eligible project is a low 2.2% for a 20-year term. Utilizing the SRF program for eligible projects results in significant debt service savings when compared to financing with 30-year fixed rate bonds. Also, SRF Loans are treated as "Parity Obligations" under the SRF loan documents whereby SRF repayment will be on the

same lien as the Sewer System's senior bond obligations. The City also dedicates net revenues of the wastewater enterprise fund for repayment of SRF financing on the Metropolitan Biosolids Center Dewatering Centrifuges Replacement project, which is the same source of repayment for other outstanding parity, subordinate bond obligations, and outstanding SRF loans of the wastewater system.

EQUAL OPPORTUNITY CONTRACTING:

This agreement is not subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Sections 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517); however, future, contracts or agreements associated with this action will be subject to the City's Equal Opportunity Contracting requirements.

FISCAL CONSIDERATIONS:

The SRF loan is a low-interest loan program (2.2%) with a fixed rate. Utilizing this program for eligible projects results in significant debt service savings as compared to financing via 30-year fixed rate bonds.

PREVIOUS COUNCIL/COMMITTEE ACTION:

Resolution No. 304316 adopted November 13, 2008, authorized the Mayor or his representative to submit applications for financial assistance from the State Water Resources Control Board. The construction packages for this project will be taken to the City Council on separate actions.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

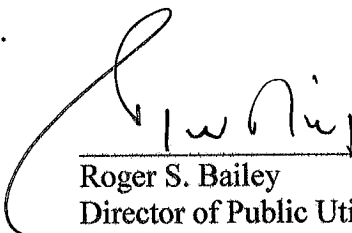
N/A

KEY STAKEHOLDERS:

City of San Diego and Wastewater rate payers.



Alex Ruiz
Assistant Public Utilities Director



Roger S. Bailey
Director of Public Utilities